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Uniform Classification of Accounts

FOR CLASS A

Automotive Transportation Companies

PRESCRIBED BY THE

RAILROAD COMMISSION

OF THE

STATE OF CALIFORNIA

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UNIFORM CLASSIFICATION OF ACCOUNTS FOR TRANSPORTATION COMPANIES.

To all Transportation Companies having gross operating revenues of more than $20,000 per annum:

The following uniform system of accounts for transportation companies, as defined in Chapter 213 of the Statutes of 1917, is established and issued by the Railroad Commission of the State of California in accordance with the provisions of section 4 of said act. It applies to all transportation companies having gross operating revenues of more than $20,000 per annum. The Commission by Decision No. 9837, dated December 5, 1921, approved the following uniform classification of accounts and has ordered and directed all transportation companies having gross operating revenues of more than $20,000 per annum to keep their accounts and records on and after January 1, 1922, in accordance with the classification following.

In prescribing this system of accounts, the Commission does not bind itself to approve any item set out in any account, either as to amount or character, for rate-fixing purposes or when authorizing the issue of securities. The prescribed system of accounts is designed to set out the facts in connection with the income, expenditures, etc., and therefrom the Commission will determine, when engaged in fixing rates or authorizing the issue of securities, just what consideration shall be given to the various items in the several accounts.

Very truly yours,
RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA,
By H. G. MATHEWSON,
Secretary.

Dated: December 6, 1921.

Flood Building,
San Francisco, California.

GENERAL INSTRUCTIONS AND DEFINITIONS.

The records of automotive transportation companies shall be kept with sufficient particularity to show fully the facts pertaining to all entries made in the accounts provided herein. Where the full information is not recorded in the general books, the entries therein shall be supported by other records in which the full details shall be shown. Such general book entries shall contain sufficient reference to the detail records to permit ready identification and the detail records shall be filed in such manner as to be readily accessible for examination by representatives of the Railroad Commission of the State of California.

The term "Automotive Transportation Companies" as used in this classification, means every corporation, company, association, joint stock association, firm, copartnership or individual, their lessees, trustees, receivers or trustees appointed by any court whatsoever, owning, controlling, operating or managing any automobile, jitney bus, auto truck, stage or auto stage used in the transportation of persons or property as a common carrier for compensation, subject to the jurisdiction of the Railroad Commission.

Automotive transportation companies divided into two classes.

For the purpose of the system of accounts prescribed by the Railroad Commission, transportation companies are divided into two classes, as follows:

CLASS A: Companies having annual operating revenues exceeding $20,000.

CLASS B: Companies having annual operating revenues of $20,000 or less.

Classification of accounts.

The system prescribed herein contains the following general classification of accounts:

(*a*) Balance Sheet Accounts.

(*b*) Buildings, Plant and Equipment Accounts; referred to also as "Fixed Capital Accounts."

(*c*) Income Accounts.

(*d*) Operating Revenue Accounts.

(*e*) Operating Expense Accounts.

Subaccounts.

The following instructions shall not be construed to prohibit a company from segregating its receipts and payments in further refinement by the adoption of two or more subaccounts representing one primary

account, provided that any one group of subaccounts shall contain only such items as are stated herein to be properly chargeable to the primary account which they represent.

Segregation of main and branch lines.

If a company operates both main and branch lines, it is not required that the books be maintained so as to show the amount invested in each line or to segregate the operating revenues and expenses as between the main and branch lines. Such a segregation, however, is extremely desirable and companies are recommended to keep the accounts in such a manner that this information will be available.

Balance sheet.

The balance sheet is a statement of the assets, liabilities and surplus or deficit of a business at a given time. It contains a statement of the ledger balances after the accounts covering the revenues, expenses, and other income items have been closed into "surplus."

Buildings, plant and equipment accounts.

The buildings, plant and equipment accounts, sometimes termed "Fixed Capital Accounts," are the accounts in which is shown the amount expended on the different elements or units making up the total investment in property used in the operation of the company's business as carriers.

Fifteen primary plant and equipment accounts are provided (Nos. 200 to 214). The expenditure on plant and equipment shall be distributed over these accounts in accordance with the text of such primary accounts.

Income accounts.

Income accounts are those designed to show as nearly as practicable for each fiscal period the total amount of money that a carrier becomes entitled to receive for service rendered by it, the losses sustained by it, the amounts accrued for use of moneys, and for use of properties of others, and the appropriations made from income during the period. The balance in this account represents the surplus or deficit and is shown on the balance sheet under that caption.

Operating revenues.

By operating revenues are meant all moneys which the company receives, or becomes entitled to receive, for services rendered as carriers.

Operating expenses.

By operating expenses are meant the expenses of maintaining plant, equipment and other property used in the operation of the transportation business, provision for depreciation, the expenses of conducting transportation and services incident thereto, the expenses of collecting revenues, of accounting and the general and supervisional expenses in connection with the foregoing.

Cost of buildings, plant and equipment.

The term "cost" herein used, means the actual cost in money of equipment purchased, of materials used in construction and installation, and of payments for labor in connection therewith; if the consideration given is other than money, the actual money value of such other consideration at the time of the purchase. Cost of labor includes not only wages, salaries and fees paid employees, but also personal expenses of such employees when borne by the company. Cost of materials and supplies consumed in construction is their cost at the places where they enter into construction, including cost of transportation and inspection.

Property in service prior to January 1, 1922.

The original cost or ledger value of buildings, plant and equipment in service on January 1, 1922, shall be transferred to this account and carried therein pending its segregation in accordance with the text of the plant and equipment accounts contained herein. When such segregation is completed, this account shall be cleared by transfer to the appropriate plant and equipment accounts.

In cases where it is not possible from records previously maintained, to ascertain the original cost of the different units, the original cost shall be estimated and the amounts so ascertained distributed to the appropriate plant and equipment accounts. If the estimated cost is less than the amount at which such property is carried in this account, the difference shall be charged to Account No. 200, "Intangible Capital." If the estimated cost is in excess of the amount at which the property is carried in this account, such estimated costs shall be approved by the Railroad Commission before the entry can be placed on the books.

Property retired.

When any equipment or unit of property is sold or permanently retired from service, whether replaced or not, the ledger value (estimated if not known) shall be credited to the appropriate account or accounts in which it is carried and the amount concurrently charged to one or more of the following accounts as may be appropriate.

Debit.

To Account No. 161, "Reserve for Accrued Depreciation," the amount (estimated if not known) of the accrued depreciation carried therein with respect to such property.

To Account No. 106, "Materials and Supplies," the salvage value of material, if any, recovered from such property and taken into store for future use or sale.

To "Cash" with the proceeds, if any, from the sale of material recovered from such property.

To Account No. 315, "Miscellaneous Charges to Income," with the balance if any.

NOTE.—If any new equipment is acquired, or new plant installed to take the place of the plant and equipment retired, the cost thereof shall be charged to the appropriate plant and equipment account or accounts.

Depreciation.

Depreciation is the decline in value of tangible property and is a loss properly chargeable to operating expenses. There is a certain wear and tear taking place in the property which can not be covered by repairs, and in addition, the property is likely to become obsolete or inadequate and for that reason be discarded. In order to meet the loss that will be sustained when property is discarded, provision should be made during the life of such property by annual charges to operating expenses. Such annual charges shall be based on a rule whereby the sum to be provided shall be evenly distributed over the life of the property. The amount of such annual charges shall be charged to operating expense Account No. 633, "Depreciation of Plant and Equipment," and credited to balance sheet Account No. 161, "Reserve for Accrued Depreciation."

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TEXT OF BALANCE SHEET ACCOUNTS FOR CLASS A COMPANIES.

ASSET SIDE.

100. PLANT AND EQUIPMENT:

The amount to be included under this head in the Balance Sheet is the total of the balances in Accounts Nos. 200 to 214, representing the book value at the date of such balance sheet of all property, tangible and intangible, used by the company in its transportation operations and operations incident thereto.

101. OTHER PROPERTY:

This account shall include the cost of property, such as lands, buildings, plant and equipment, etc. *not* used in transportation operations.

102. SECURITIES OF OTHER COMPANIES:

This account shall include the cost or ledger value of stocks, bonds, mortgages and other evidences of indebtedness, owned by the company.

103. CASH:

This account shall include the amount of cash and other current funds on hand or on deposit in banks or with trust companies. This account shall also include cash deposited with banks or others for payment of dividends, interest, or for other specific purposes.

104. NOTES RECEIVABLE:

This account shall include the cost or ledger value of the notes, drafts, and other evidences of money receivable.

105. ACCOUNTS RECEIVABLE:

This account shall include the amounts owing to the company by corporations, firms or individuals for miscellaneous bills, amounts advanced to employees for working funds, interest due and collectible on securities, mortgages, accounts and deposits; and other items of amounts collectible.

106. MATERIALS AND SUPPLIES:

This account shall include the balances representing the cost of materials and supplies on hand, arrived at as follows:

Charge to this account the cost of materials and supplies purchased, including transportation and other charges. Charge also to this account at salvage value, any material recovered from plant retired and taken into store for future use or sale.

Materials and supplies taken out of store for use or sale shall be credited to this account at the value at which such materials and supplies is included therein.

107. SPECIAL FUNDS:

This account shall include the cost or ledger value of securities, and other assets which have been set apart and held in depreciation, sinking, insurance and other funds.

108. PREPAYMENTS:

Charge this account with the amount of rents, taxes, licenses, insurance and other like expenses paid in advance of the period to which they apply. As the periods covered by such prepayments expire, credit this account and charge the proper operating expense or other accounts with the amount applicable to the period.

109. OTHER DEBIT ACCOUNTS:

This account shall include the cost of assets not provided for elsewhere, also debit items the final disposition of which are uncertain.

NOTE.—This account shall be kept in such a manner that a list can be made of the different items making up the balance, or where necessary separate subaccounts shall be provided.

110. TREASURY SECURITIES:

This account shall include the par value of securities which have been nominally, but not actually, issued by the accounting company. Separate accounts shall be maintained for each class of capital stock such as common and preferred, and for each class of funded debt such as bonds, notes, etc.

NOTE.—Capital stock is considered nominally issued when certificates are signed and sealed and placed with the proper officer for sale and delivery or pledged or otherwise held within the control of the company. It is considered actually issued when it has been sold to a bona fide purchaser for a valuable consideration and such purchaser holds it free from all control of the accounting company.

Funded debt securities are considered to be nominally issued when certified by trustees and placed with the proper officer for sale and delivery or pledged or otherwise held within the control of the company. They are considered to be actually issued when they have been sold to a bona fide purchaser for a valuable consideration and such purchaser holds them free from all control of the accounting company.

111. DISCOUNT ON CAPITAL STOCK:

This account shall include the discount on capital stock issued or assumed by the accounting company. By the term "discount" is meant the excess of the par value of stocks actually issued or assumed over the cash value of the consideration received for such stock. Separate accounts shall be maintained for the discount on each class of stock, such as common and preferred, and also for each issue of the same class if the terms are in any way different.

Entries in these accounts shall be carried therein until offset:

(1) By premium realized by subsequent sales of the same class of stock.

(2) By assessments levied on the stockholders.

(3) By appropriations from surplus for that purpose.

(4) By the difference between the par value of the same class of stock reacquired and the amount paid therefor, provided the amount paid is less than the par value.

NOTE.—The cash as received from stockholders in respect of assessments shall be credited to Account No. 153, "Assessment on Capital Stock"; if the total received is less than the balance at the debit of discount account, the amount received shall be transferred to this account; if the total received is greater, the balance at debit of this account shall be transferred to Account No. 153, "Assessment on Capital Stock."

112. DISCOUNT AND EXPENSE ON FUNDED DEBT:

This account shall include the discount on bonds and other evidence of indebtedness issued or assumed by the accounting company. This account shall also include the expenses in connection with the issue and initial sale of evidences of debt such as fees for drafting mortgages and trust deeds; fees and charges for issuing or recording mortgages and trust deeds; cost of printing bonds, certificates of indebtedness and other commercial paper having a life of more than one year; fees paid trustees acting under mortgages and trust deeds in connection with the issue of bonds or other form of debt; (fee paid for services in connection with payment of interest or redemption of debt should be charged to income account No. 315, "Miscellaneous Charges to Income.")

By the term "discount" is meant the excess of the par value of the securities issued or assumed and the accrued interest thereon, over the actual cash value of the consideration received for such securities.

Ledger accounts shall be provided to cover discount and expenses for each class of debt, such as bonds, mortgages, notes, etc., and also for each issue of the same class, if the terms are in any way different. The total of the balances remaining shall be included in the balance sheet under this account.

Each month or year there shall be credited to this account and charged to income Account No. 316, "Amortization of Debt Discount and Expenses," a proportion of each of the debit balances in these accounts, such proportion to be based upon the ratio which such accounting period bears to the remaining life of the respective security.

If the accounting company desires, it may write off the debit balance in this account more rapidly than that stated above.

LIABILITY SIDE.

150. CAPITAL STOCK:

This account shall include the total par value of outstanding capital stock. In case of the issue of two or more classes of capital stock such as common and preferred, a subaccount shall be provided for each class and also for each issue of the same class, if the terms of issue are different.

In stating this account on the balance sheet statement the par value of stock held by the company in its treasury shall be deducted.

NOTE.—If the transportation company is not incorporated, but is operated by an individual, firm, copartnership or association, the amount paid into the business by the owners shall be included in Account No. 154, "Proprietor's Account."

151. INSTALLMENTS ON STOCK SUBSCRIPTION:

This account shall include the amount of installments received from subscribers for capital stock. When all installments are received and certificates of stock issued therefor, this account shall be cleared and the par value of the stock so issued shall be credited to the account appropriate for such stock.

152. PREMIUM ON CAPITAL STOCK:

This account shall include:

(*a*) The excess of the actual money value (at the time of issue of stock) of the consideration received, over the par value of capital stock issued;

(*b*) The amount by which the face value of capital stock reacquired, exceeds the amount paid therefor.

Entries in this account shall be carried therein until offset—

(1) By discount suffered on subsequent sales of same class of stock.

(2) By the difference between the par value of the same class of stock reacquired and the amount paid therefor, provided the amount paid is in excess of par value.

(3) If the corporation elects and is permitted to distribute to its stockholders all or any portion of the premium on its capital stock, the amount distributed shall be charged to this account.

153. ASSESSMENT ON CAPITAL STOCK:

This account shall include the amount received in respect of assessments levied on capital stock.

Entries in this account shall be carried therein until offset, as explained in the note under Account No. 111, "Discount on Capital Stock."

154. PROPRIETOR'S ACCOUNT:

This account is to be used where the business is conducted by an individual, firm, copartnership or under any style other than that of an incorporated company, and shall include the amount paid into the business by the party or parties interested in the concern.

If separate accounts are maintained for each of the parties interested, the total of the balances in such accounts shall be shown in one figure in the balance sheet.

155. FUNDED DEBT:

This account shall include the par value of all bonds, notes, mortgages, receiver's certificates, and other evidences of indebtedness issued or assumed by the company and which are not due and payable until after one year from date of issue. In case of the issuance of two or more classes of funded debt such as bonds and notes payable, etc., a subaccount shall be provided for each class.

In stating this account on the balance sheet statement, the par value of funded debt issued or assumed by the company and held by it in its treasury, shall be deducted from the balance shown on this account.

156. NOTES PAYABLE:

This account shall include the par value of all notes, drafts and other evidences of indebtedness issued or assumed by the company which are payable on demand or within one year from date of issue.

157. INTEREST ACCRUED:

This account shall include the amount of interest accrued on all indebtedness of the accounting company, except where such interest is added to the face of the principal debt as is usual in the case of judgments. When such interest is paid it shall be charged to this account and credited to "cash" or other appropriate account. Separate subaccounts shall be maintained for the interest accrued on each class of indebtedness.

The interest accrued upon any judgment against the accounting company shall *not* be credited to this account, but to the account to which such judgment stands credited.

158. ACCRUED LIABILITIES NOT DUE:

This account shall include all liabilities accrued other than interest at the date of the balance sheet but not due until after that date, such as taxes, rents, etc.

The accounting company's records should be kept in such manner as to permit of a ready analysis of this account so that a statement can be produced, if required, showing the amount accrued in respect of each of the classes of liability included therein.

159. ACCOUNTS PAYABLE:

This account shall include miscellaneous bills unpaid, wages unpaid, audited vouchers unpaid, and similar items, not includable in the foregoing liability accounts.

160. OTHER CREDIT ACCOUNTS:

This account shall include all credit items not provided for elsewhere, including reserves other than depreciation reserves.

NOTE.—The accounting company's records shall be kept in such manner as to permit of a ready analysis of this account, so that a statement showing the amount of the different reserves included therein, can be produced if required.

161. RESERVE FOR ACCRUED DEPRECIATION:

Credit to this account the amounts which are charged monthly or annually to operating expense account No. 633, "Depreciation of Plant and Equipment," as explained under "Depreciation," page 7.

The amounts to be charged to this account are explained under "Property Retired," page 6.

162. UNAMORTIZED PREMIUM ON FUNDED DEBT:

This account shall be credited with the premium received on bonds and other evidences of indebtedness issued or assumed by the accounting company, and debited with the expenses in connection with the issue and initial sale of such evidences of debt, such as fees for drafting mortgages and trust deeds; cost of printing bonds, certificates of indebtedness and other commercial paper having a life of more than one year; fees paid trustees acting under mortgages and trust deeds in connection with the issue of bonds or other form of debt.

If bonds are issued at a discount, the expenses of issue shall be charged to Account No. 112, "Discount and Expense of Funded Debt."

Each year there shall be charged to this account and credited to Income Account No. 302 "Miscellaneous Income," a proportion of the balance in this account, such proportion to be based upon the ratio which one year bears to the remaining life of the security.

163. SURPLUS OR DEFICIT:

Under this head on the balance sheet statement shall be shown the balance in the income account. In case the income account shows a debit balance it shall be entered on the balance sheet in red ink.

NOTE.—If the transportation company is not incorporated but is operated by an individual, firm, copartnership or association, the balance in the income account at the close of each fiscal period shall be transferred to the account or accounts of the proprietors. (See also instructions under Account No. 154.)

LIST OF PRIMARY ACCOUNTS UNDER WHICH PLANT AND EQUIPMENT SHALL BE SEGREGATED.

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TEXT OF PLANT AND EQUIPMENT ACCOUNTS FOR CLASS "A" COMPANIES.

GENERAL NOTE APPLICABLE TO ALL PLANT AND EQUIPMENT ACCOUNTS:

NOTE.—Articles of small value or of short life, or articles that are likely to be lost or stolen, shall *not* be charged to the plant and equipment accounts but shall be charged to the appropriate operating expense accounts.

200. INTANGIBLES:

Charge to this account the expense of organizing the company, the cost of franchises and patent rights, and the cost of other intangibles used or useful in transportation operations.

201. LAND:

Charge to this account the cost of land used in transportation operations and operations incident thereto. Such cost includes cost of registration of title, cost of examination of title, conveyancer's and notary's fees, purchasing agent's fees, taxes accrued to date of transfer of title and all liens upon the title acquired; cost of obtaining consent and payments for abutting damages. There shall also be charged to this account special assessments levied by public authorities on the basis of benefits for streets and other public improvements such as new roads, new bridges, new sewers, new pavements, new curbing, etc., but *not* any taxes levied to provide for maintenance of such improvements.

The cost of buildings and other improvements should not be included in this account. If at the time of acquisition of an interest in lands, it extends to buildings or other improvements thereon, which improvements are devoted to transportation operations and the contract does not determine the price of such improvements, they should be appraised at their fair cash value for use in such operations, and such appraised value should be charged to Account No. 202, "Buildings," and excluded from this account. If such improvements are not devoted to transportation operations but are devoted to other operations or held as investments, the cost (or appraised value, if the cost is not determined in the contract of acquisition) should be charged to Account No. 101, "Other Property." If improvements on the land at the date of acquisition are not required in transportation or other operations and are therefore removed or wrecked, the cost of removing or wrecking them, including injuries and damages in connection therewith should be charged, and salvage credited, to this account.

202. BUILDINGS:

This account shall include the cost of all permanent buildings and structures, to house, support, or safeguard property or persons, with all appurtenant fixtures, improvements to land and other constructions erected on land owned by the company. The cost of buildings erected on leased land shall be charged to Account No. 203 "Improvements on Leased Property."

Buildings include all fixtures attached to and forming a permanent part thereof, such as water pipes and fixtures, steam pipes and fixtures for heating and ventilating; gas pipes and fixtures for lighting, etc.; electric wiring and fixtures for lighting, signaling, etc.; elevators, cranes and hoists and the motive power for operating them, subways or areaways directly connected to and forming a part of the building. This account includes cost of excavations, brick or concrete chimneys and such piers and foundations for machinery and apparatus as are designed to be as permanent as the buildings and independent of their use in connection with any particular units of machinery; also the cost of architect's plans and of superintendence of construction.

Improvements to land include roadways, fences, sidewalks, sewer systems, water systems, yard lighting systems, grading and landscape gardening, and any other permanent structures which are an improvement to the property.

NOTE A.—This account should not include any charges for lighting, heating, or other fixtures temporarily attached for purposes of display or demonstration.

NOTE B.—The cost of specially provided foundations not expected to outlast the machinery or apparatus mounted thereon, should be charged to the same account as is the cost of the machinery or apparatus for which they are provided.

203. IMPROVEMENTS ON LEASED PROPERTY:

This account shall include the cost of buildings and other improvements erected on leased property whether used for station, office, garage, freight houses or other purposes necessary to transportation operation.

The cost of such improvements shall be amortized over the period of the lease under which the property is held by charges to Account No. 633, "Depreciation of Plant and Equipment," and concurrently credited to Account No. 161, "Reserve for Accrued Depreciation."

When a lease expires, the cost of improvements erected thereon, less salvage, shall be credited to this account and charged to Account No. 161, "Reserve for Accrued Depreciation."

204. MACHINERY, TOOLS, ETC.:

This account shall include the cost installed of machinery, fixed tools, etc.; such as stationary engines and boilers, motors, compressors, machine tools, lathes, planes, shafting, belting and the like shop equipment. It shall also include the cost of specially provided foundations and settings for machinery.

NOTE.—Loose tools of short life or other small articles that are likely to be lost or stolen shall *not* be charged to this account but to the appropriate operating expense account.

205. REVENUE PASSENGER CARS:

Charge to this account the actual money cost to the company of passenger cars used in transportation operations and operations incident thereto.

If such passenger cars are constructed by the company in its own workshops, or if parts are purchased and the same assembled by the company, the records shall be maintained in a sufficiently complete manner to show the cost of labor, materials, and other expenses incurred in such work.

If passenger cars are purchased in a condition ready for service, the cost shall include the invoice or contract price, less discount, if any, plus freight, insurance and other expenses incurred in obtaining delivery of such passenger cars upon the premises of the company and also the cost of any additions or attachments made after delivery.

206. REVENUE FREIGHT CARS:

Charge to this account the actual money cost to the company of freight cars used in transportation operations and operations incident thereto.

If such freight cars are constructed by the company in its own work shops, or if parts are purchased and the same assembled by the company, the records shall be maintained in a sufficiently complete manner to show the cost of labor, materials, and other expenses incurred in such work.

If freight cars are purchased in a condition ready for use, the cost shall include the invoice or contract price, less discount, if any, plus freight, insurance and other expenses incurred in obtaining delivery of such freight cars upon the premises of the company, and also the cost of any additions or attachments made after delivery.

207. EXPRESS, BAGGAGE AND MAIL CARS:

Charge to this account the actual money cost to the company of express, baggage and mail cars, used in transportation operations or operations incident thereto.

If such cars are constructed by the company in its own workshops, or if parts are purchased and the same assembled by the company, the records shall be maintained in a sufficiently complete manner to show the cost of labor, materials and other expenses incurred in such work.

If the cars are purchased in a condition ready for service, the cost shall include the invoice or contract price, less discount, if any, plus freight, insurance and other expenses incurred in obtaining delivery of such cars upon the premises of the company, and also the cost of any additions or attachments made after delivery.

208. SERVICE CARS:

This account shall include the cost of service cars, supply cars, and tow and repair cars, including cranes and similar equipment, if permanently mounted thereon.

209. TELEPHONE AND TELEGRAPH LINES:

This account shall include the amount expended on the construction of telephone and telegraph lines to be used wholly in transportation operations.

210. FLOATING EQUIPMENT:

This account shall include the cost of marine or floating equipment of all kinds, including appurtenances, furniture and fixtures necessary to equip them for service, also the cost of inspection and transportation.

211. FURNITURE:

This account shall include the cost of movable furniture and fittings for general office, shops, station, waiting rooms, etc., such as desks, tables, chairs, carpets, cases, movable partitions, railings and shelves; typewriters, addressing machines, adding machines, and other office devices; stoves, portable gas and electric fixtures and other office fittings (except fixtures considered a part of the building).

212. MISCELLANEOUS TANGIBLE CAPITAL:

This account shall include the cost of all property used in transportation operations or operations incident thereto not elsewhere provided for.

213. PROPERTY IN SERVICE PRIOR TO JANUARY 1, 1922:

In this account shall be carried temporarily the ledger value of property in service on January 1, 1922, pending its transfer to appropriate primary account or accounts, as explained under the general instruction on page 6.

214. UNDISTRIBUTED CONSTRUCTION EXPENDITURE:

This account is provided to include expenditures, such as engineering, law expenses, injuries and damages, interest and taxes during construction and similar items, incurred in connection with the construction or acquisition of physical property, but which has not been included as part of the cost of any specific work.

This account shall be kept so as to show the expenditure under each of the following heads:

(1) Engineering.
(2) Law Expenses.
(3) Injuries and Damages.
(4) Taxes During Construction.
(5) Interest During Construction.
(6) Miscellaneous.

NOTE.—Expenditures above designated should, as far as possible, be included in one or more of the foregoing primary plant and equipment accounts.

LIST OF INCOME ACCOUNTS.

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TEXT OF INCOME ACCOUNTS FOR CLASS "A" COMPANIES.

300. TRANSPORTATION REVENUE:

Under this head in the income account shall be included the total of amounts carried in primary revenue accounts (Nos. 500 to 505 and 520 to 523), being the total revenue from transportation operations for the year or other period covered by the income account.

301. REVENUE FROM OTHER OPERATIONS:

If the company conducts other than transportation operations, the revenue accruing from such operations shall be credited to this account. This account includes the revenues from property, the investment in which is carried in Account No. 101, "Other property."

302. MISCELLANEOUS INCOME:

Credit to this account all revenues accruing to the company other than those provided for in Accounts Nos. 300 and 301, such, for example, as—

(*a*) Interest and dividends received on securities owned by the company.

(*b*) Rents receivable from plants or equipment leased to others and not used in part by the company in its transportation operations.

(*c*) Operating and other income received subsequent to the fiscal period to which such income pertains.

(*d*) Credits arising from the cancellation of liabilities; such cancellation being due to inability to locate the creditor, or other good cause.

(*e*) Profit arising from the sale of land or other assets.

The above examples are not to be considered as comprising all the items creditable to this account, but are given merely as representative of them.

NOTE.—The records shall be so maintained that a statement can be prepared showing the amount received from each source.

310. TRANSPORTATION EXPENSES:

Under this head in the Income Account shall be included the total of amounts carried in the primary operating expense accounts (Nos. 600 to 614, 630 to 633, 650 to 652, 660 to 671), being the total expenses incurred in transportation operations for the year or other period covered by the income account.

311. INTEREST ON FUNDED DEBT.

Charge to this account all interest accrued on outstanding funded debt issued or assumed by the company, the liability for which debt is included in Account No. 155, "Funded Debt." This account does not include interest on securities held by the company in its treasury or pledged as collateral.

NOTE.—The amount charged to this account shall be concurrently credited to Account No. 157, "Interest accrued," to which account shall be debited payments made on account of interest.

312. OTHER INTEREST:

Charge to this account all interest paid or accrued other than that included in Account No. 311, "Interest on Funded Debt."

313. FEDERAL INCOME TAXES:

This account shall include the amount of income taxes paid or payable to the Federal Government.

NOTE.—Income taxes levied upon bondholders and assumed by the company under the terms of the mortgage shall be charged to Account No. 315, "Miscellaneous Charges to Income."

314. EXPENSES, OTHER OPERATIONS:

If the company conducts other than transportation operations, the expenses incurred in connection with such operations shall be charged to this account. This account includes the expenses of, and taxes on property, the investment in which is carried in Account No. 101, "Other Property."

315. MISCELLANEOUS CHARGES TO INCOME:

Charge to this account all expenses which are not chargeable to operation or to the preceding income debit accounts, such, for example, as—

(*a*) Rents paid, other than those provided for elsewhere.
(*b*) Operating expenses relating to a previous fiscal period.
(*c*) Losses arising from the sale of land or other asset.
(*d*) Donations to churches and charitable institutions.

The above examples are not to be considered as comprising all the items chargeable to this account, but are given merely as representative of them.

NOTE.—The records shall be so maintained that a statement can be prepared giving particulars of the amounts charged to this account.

316. AMORTIZATION OF DEBT DISCOUNT AND EXPENSE:

This account shall include the amounts credited to Account No. 112. "Discount and Expense on Funded Debt."

317. APPROPRIATIONS FOR GENERAL RESERVES:

If the company elects, or circumstances arise which make it advisable to provide a reserve for any purpose, other than "Reserve for Accrued Depreciation," the amount set aside shall be charged to this account, and concurrently credited to Account No. 160, "Other Credit Accounts."

318. DIVIDENDS DECLARED:

Charge to this account the amount of dividends declared on the capital stock actually outstanding.

LIST OF OPERATING REVENUE ACCOUNTS.

Transportation.

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Miscellaneous Operating Revenues.

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OPERATING REVENUE ACCOUNTS.

SECTION 1. ACCOUNTS FOR OPERATING REVENUES:

The accounts provided for operating revenues are designed to show amounts of money which a carrier becomes entitled to receive from transportation and from operations incident thereto.

Credits to the revenue accounts shall, as nearly as practicable, be upon basis of accruals of revenue.

If a company issues round trip tickets, or otherwise enters into an arrangement whereby it makes itself liable to render service in the future, it may, if it so desires, credit the amount received to a suspense account and carry it therein until the service has been rendered.

No amounts shall be charged against the accounts of this classification representing tariff charges, which for any cause are uncollected, the service for which the charge is made having been properly performed and individuals or companies being liable for the charges.

Uncollectible charges against individuals and companies representing undisputed tariff charges for transportation service rendered shall be charged to Account No. 671, "Miscellaneous General Expenses."

Uncollected tariff charges on unclaimed and refused shipments of freight, such refused shipments having been transported in accordance with the contract of shipment, shall be charged to a suspense account, to which shall be credited, to the extent of the tariff charges included therein, the proceeds derived from the sale of such unclaimed and refused freight. When the excess of the tariff charges over the amount realized from the sale of freight is found to be uncollectible, it shall be cleared to Account No. 671, "Miscellaneous General Expenses."

When the amount realized from the sale of such unclaimed and refused freight exceeds the amount of the tariff charges for the transportation thereof, the excess (if lawfully retained by the carrier) shall be credited to Account 505, "Other Transportation Revenues."

The carrier's tariff charges on lost, destroyed or damaged shipments for which charges neither consignees nor consignors are liable, shall be charged to the revenue accounts originally credited.

SECTION 2. INTERPRETATION OF ITEM LISTS:

Lists of items to be credited and of items to be charged have been given as a part of the text of this classification for the purpose of clearly indicating the application of the accounting rules. They are not to be considered as comprising all the items creditable or chargeable to the several accounts, but merely as representative of them.

The items contained in the lists of items to be charged to the respective accounts are chargeable only when such items have been, through over-

sight, included in the credit to the accounts, or they are items of revenue payable to others for service to be rendered in accordance with the tariff provisions applicable to the rates upon which the credits to the several accounts have been based.

Text Pertaining to Operating Revenue Accounts.

500. PASSENGER REVENUE:

Credit to this account all revenue from the transportation of passengers.

ITEMS TO BE CREDITED.

See special instructions, Section 2, page 26.

(*a*) Revenue upon the basis of local tariff fares.

(*b*) The carrier's proportion of revenue upon the basis of through tariff fares.

(*c*) Revenue from transportation of passengers on special cars at fares based on special rates.

ITEMS TO BE CHARGED.

Amounts paid as bridge and ferry arbitraries.

Redemptions of unused and partially unused passenger tickets.

Refunds of local tariff fares.

The carrier's proportion of redemption of unused and partially unused through passenger tickets.

The carrier's proportion of refunds of through tariff fares.

The carrier's proportion of overcharges resulting from the application, in error, of fares in excess of tariffs.

501. FREIGHT REVENUE:

Credit to this account all revenue from the transportation of freight.

ITEMS TO BE CREDITED.

See special instructions, Section 2, page 26.

(*a*) Revenue upon basis of local tariff rates.

(*b*) The carrier's proportion of revenue upon the basis of through freight tariff rates.

ITEMS TO BE CHARGED.

Amounts paid as bridge and ferry arbitraries on freight.

Amounts paid for completing a haul.

Arbitraries and allowances to others for lighterage and wharfage.

The carrier's proportion of overcharges resulting from the use of erroneous rates, weights, classifications or computations.

The carrier's proportion of refunds on account of errors in routing and billing.

The carrier's proportion of uncollected revenue on freight lost or destroyed in transit.

The carrier's proportion of uncollected tariff charges on damaged shipments for which charges neither shipper nor consignee is liable.

NOTE A.—Other carrier's proportion of revenue and of uncollectible undercharges paid by the carrier on account of its errors shall be charged to operating expense, Account No. 671, "Miscellaneous General Expenses."

NOTE B.—Other carrier's proportion of revenue paid by the carrier on freight lost, destroyed or damaged in transit, for which neither consignees nor consignors are liable shall be charged to operating expense, Account No. 609, "Damages, Freight, and Baggage."

NOTE C.—Revenue from the transportation of caretakers of freight shipments, when not included as a part of the freight charges on the waybill covering the freight shipments shall be credited to Account No. 500, "Passenger Revenue."

502. EXPRESS REVENUE:

This account shall include the revenue from the transportation of express matter, and from use of facilities on equipment and at stations, incident to such transportation. The term "Express" is intended to cover matter handled at a higher rate than for freight on account of quicker service or collection and delivery.

503. BAGGAGE REVENUE:

This account shall include the revenue from the transportation of baggage in excess of free authorized allowances, and for transportation of packages, articles, dogs, etc., as baggage.

504. MAIL REVENUE:

This account shall include the revenue from the transportation of mail, from the use of special mail facilities and from bonuses for special mail transportation.

To this account shall be charged fines and penalties imposed by the government, when not collected from agents or employees.

NOTE.—The revenue from the transportation of mail matter and empty mail pouches at freight tariff rates shall be included in Account No. 501, "Freight Revenue."

505. OTHER TRANSPORTATION REVENUE:

This account shall include revenue derived from transportation operations not includable in any of the foregoing revenue accounts.

520. STATION AND OTHER PRIVILEGES:

This account shall include revenue from weighing, vending and other automatic machines located at stations, from advertising at stations and on cars, from the privilege of operating news stands at stations and selling papers, periodicals, fruit, etc., from telephone companies for the privilege of installing and operating commercial telephones at stations and from similar sources.

521. STORAGE:

This account shall include the revenue from the operation of parcel rooms, and from the storage of freight and baggage.

522. RENT FROM EQUIPMENT HIRED:

This account shall include amounts received as rent for use of revenue cars, motive or other equipment of revenue cars, on whatever basis such rent may be determined.

Amounts paid to others as rent for use of their cars shall *not* be debited to this account but to operating expense account No. 670, "Rent of Equipment."

523. RENT OF BUILDINGS AND OTHER PROPERTY:

This account shall include the revenue from the exclusive use of buildings and other property or portions thereof, such as depot and station grounds and buildings, when the property is operated and maintained in connection with the property used in the carrier's transportation operations and the expenses of maintaining and operating the rented portion can not be separated from the expenses of that portion used by the carrier.

NOTE.—When the expenses of maintaining and those of operating property rented to others are separable, the rents received shall be credited and the expenses of maintenance and operation shall be charged to appropriate income accounts.

LIST OF OPERATING EXPENSE ACCOUNTS.

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CONDUCTING TRANSPORTATION.

600. SUPERINTENDENCE OF TRANSPORTATION:

This account shall include the salaries and expenses of superintendents, dispatchers, car starters, inspectors and others employed in superintending transportation.

NOTE.—In cases where employees are engaged partly on transportation and partly in some other department, their salaries and expenses shall be apportioned on some equitable basis.

601. PASSENGER CAR OPERATORS:

This account shall include the wages of operators engaged in passenger service, including wages paid for the time during which they are required to be on duty and to hold themselves in readiness for active service.

602. FREIGHT CAR OPERATORS:

This account shall include the wages of operators engaged in freight service, including wages paid for time during which they are required to be on duty and to hold themselves in readiness for active service.

603. EXPRESS, BAGGAGE, MAIL CAR OPERATORS:

This account shall include the wages of operators engaged in express, baggage or mail car service, including wages paid for time during which they are required to be on duty and to hold themselves in readiness for active service.

604. FUEL FOR POWER:

This account shall include the cost of all gasoline or fuel oil consumed by passenger, freight and other revenue earning cars.

605. LUBRICANTS AND OTHER SUPPLIES:

This account shall include the cost of all lubricating oils, greases, waste and water consumed by passenger, freight and other revenue earning cars.

606. SERVICE CAR EXPENSES:

This account shall include the wages of drivers and other employees engaged in service cars, the cost of gasoline, lubricating oils and other supplies consumed, the cost of labor and material, including tires and tubes used in repairing service cars and other miscellaneous expenses incurred in the operation of service cars.

607. STATION EMPLOYEES:

This account shall include the salaries and wages of agents, clerks and attendants in charge of, or engaged in, the operation of stations located on the carrier's routes; also payments to station or ticket agents in lieu of salaries. It shall also include payments for labor in handling freight, mail, baggage and express at stations, and all other miscellaneous work at stations.

608. STATION EXPENSES:

This account shall include the cost of heating and lighting stations, waiting rooms, freight houses and other station buildings, rent of station buildings, and all other station expenses.

609. DAMAGES FREIGHT AND BAGGAGE:

This account shall include expenses incurred for loss, damages, delays and distributions of freight, express matter and baggage entrusted to a carrier for transportation. It shall also include freight and express charges paid other carriers on lost, destroyed, damaged or delayed freight, express matter and baggage.

610. GARAGE LABOR AND EXPENSE:

This account shall include the wages of foreman, car motor and brake inspectors; watchmen, car placers, car shifters, cleaners, car oilers and other garage employees not engaged in making repairs. It shall also include the cost of fuel, light, water, ice and other garage expense of a similar nature.

611. OTHER TRANSPORTATION EXPENSES:

This account shall include all expenses in connection with conducting transportation not properly chargeable to the foregoing operating expense accounts.

612. OPERATION OF TELEPHONE AND TELEGRAPH LINES:

If the accounting company owns or rents a telephone and telegraph line, which it uses solely in connection with its transportation business, the expenses of operation and the cost of maintenance shall be included in this account.

613. OPERATION OF FLOATING EQUIPMENT:

If the accounting company owns or rents floating equipment which it uses solely in connection with its transportation business, the expenses of operation and the cost of maintenance shall be included in this account.

614. LEASED CARS:

This account shall include amount paid for the use of passenger and freight cars leased to the carrier under an agreement whereby the owner maintains the same, furnishing fuel, lubricating oils and other supplies. The wages paid the drivers shall not be charged to this account, but to Accounts Nos. 601, 602, 603, as may be appropriate.

MAINTENANCE.

630. MAINTENANCE OF BUILDINGS:

This account shall include the cost of labor and material used in repairing garages, shops, general offices, stations, waiting rooms, platforms, docks, wharves, and all other buildings and structures used in transportation operations whether owned or rented.

NOTE.—The cost of repairs on property used otherwise than in transportation operations shall *not* be charged to this account but to Account No. 315, "Miscellaneous Charges to Income."

631. MAINTENANCE OF MACHINERY, TOOLS, ETC.:

This account shall include the cost of labor and material used in repairing machinery and tools (except hand tools) in shops and garages, such as engines, boilers, shafting and belting, hoists, jacks and other equipment used in connection therewith, furnaces, forges, planers, lathes, shapers, drill presses, wheel presses, etc.

632. MAINTENANCE OF EQUIPMENT:

This account shall include the cost of tires and tubes and other material used and the salaries and wages of men engaged in the repair of passenger, freight and other revenue cars and all other expenses incurred in keeping such cars in efficient working order. It shall also include the cost of inspecting and testing after repairs have been made so as to determine that the repairs have been properly made and the running of repaired cars light, in order to break them in for regular service.

This account shall be divided to show—

(1) Tires and tubes.
(2) All other repairs.

633. DEPRECIATION OF PLANT AND EQUIPMENT:

Charge to this account monthly or annually, the estimated amount of depreciation accruing in buildings, machinery, tools, etc., and cars. (See general instructions, page 7.)

The accounting company will be required in its annual report to the Railroad Commission to make a statement showing the basis used for computing depreciation on the different portions of its property, as follows:

(*a*) Buildings.
(*b*) Machinery, Tools, etc.
(*c*) Improvements on Leased Land.
(*d*) Passenger and Freight Cars.
(*e*) Service Cars and Equipment.
(*f*) Floating Equipment.
(*g*) All Other Property.

TRAFFIC.

650. SUPERINTENDENCE AND SOLICITATION:

This account shall include the salaries and expenses of employees engaged on traffic. In cases where employees are engaged partly on traffic and partly in some other department, their salaries and expenses shall be apportioned on some equitable basis.

651. ADVERTISING:

This account shall include salaries and expenses of advertising agents, cost of printing, publishing, and distributing time tables, folders, notice to shippers and other advertising matter; advertising in newspapers and periodicals for the purpose of securing traffic, signs on cars advertising special events; portables for signs for attracting traffic, bulletin boards, cards, cases, display cards and photographs; postage and express charges on advertising matter; cost of bill posting; donations made for traffic purposes and for entertaining conventions and similar expenses.

652. MISCELLANEOUS TRAFFIC EXPENSES:

This account shall include all expenses incurred for the purpose of securing traffic, not properly chargeable to the foregoing traffic expense accounts.

GENERAL AND MISCELLANEOUS.

660. SALARIES AND EXPENSES—GENERAL OFFICERS:

This account shall include the salaries and expenses of the chairman of the board, president, vice president, treasurer, secretary, auditor, general manager, assistant general manager, chief engineer, general superintendent, purchasing agent, and all other officers whose jurisdiction extends over the entire system or all departments.

661. Salaries and Expenses—General Office Clerks:

This account shall include the salaries and expenses of traveling auditors, bookkeepers, cashiers, paymasters, stenographers, clerks employed in counting cash tickets and transfers, and all other clerks employed in the general office.

662. General Office Supplies and Expenses:

This account shall include the cost of office supplies, repairs to office furniture and mechanical calculators, typewriters, and other office appliances, wages of janitors, porters and messengers, and miscellaneous expenses of general offices.

663. Stationery and Printing:

This account shall include the cost of stationery, postage and stationery supplies, except as provided for elsewhere; also the cost of printing tickets, transfers, cash fare receipts, baggage checks, hat checks, waybills, etc.

Note A.—The cost of printing briefs and other legal papers shall be charged to Account No. 667, "Law Expenses," or Account No. 666, "Injuries and Damages." The cost of printing signs, posters and other advertising matter shall be charged to Account No. 651, "Advertising."

Note B.—The cost of repairing mechanical calculators, typewriters and other office appliances shall be charged to Account No. 662, "General Office Supplies and Expenses," and if to departmental offices, to the accounts to which the expenses of such offices are chargeable.

664. Store Expenses:

This account shall include the salaries and expenses in connection with storerooms, including cost of handling scrap material and other similar expenses.

665. Insurance:

This account shall include premiums paid for fire, fidelity, boiler, burglary and other insurance; also amount set aside as an insurance reserve by a company carrying its own insurance in whole or in part.

666. Injuries and Damages:

This account shall include expenditures on account of persons killed or injured and property damaged; compensation paid employees injured while in performance of their duties; salaries and expenses of claim agents, investigators, adjusters and others engaged in the investigation of accidents and adjustments of claims; salaries, fees and expenses of surgeons and doctors, medical and surgical supplies, nursing and hospital attendance; fees and expenses of coroners and undertakers; fees of witnesses and others.

To this account shall be charged also law expenses incurred in connection with the defense or settlement of damage claims, including the compensation of general counsel, salaries, fees and expenses of attorneys, fees of court stenographers; cost of law books, appeal bonds, printing briefs and court and other records; court costs, expenses con nected with taking depositions and other like expenses connected with the settlement of claims for injuries and damages.

Premiums for insurance against liability and property damage and workmen's compensation shall be charged to this account; but premiums paid for insurance against fire, theft and damage to company's property shall be charged to Account No. 665, "Insurance."

NOTE A.—The compensation of general counsel and other attorneys engaged partly in the defense or settlement of damage suits and partly in other legal work shall be apportioned between this account and Account No. 667, "Law Expenses."

NOTE B.—This account shall not include the expenses incurred in connection with the settlement of claims for loss, damage or delay to goods entrusted for transportation.

667. LAW EXPENSE:

This account shall include all law expenses except those incurred in the defense and settlement of damage claims. It includes salaries and expenses of counsel and attorneys, their clerks and attendants and expenses of their offices; fees and retainers for services of attorneys not regular employees, cost of law books; cost of printing briefs, legal forms, testimony, reports, etc.; court costs of payments of special, notarial, and witness fees not provided for elsewhere, expenses connected with taking depositions; law expense of receivers; and all law and court expenses not provided for elsewhere.

NOTE.—The compensation of the general solicitor, counsel or other attorneys engaged partly in the defense and settlement of damage suits and partly in other legal work, shall be apportioned between this account and Account No. 666, "Injuries and Damages."

668. TAXES ASSIGNABLE TO OPERATION:

This account shall include all taxes, other than Federal income taxes, which are assignable to transportation operations and which are properly chargeable to the period covered by the operating account.

The account shall be so kept that the amount of the different taxes included therein, such as state, county, city, etc., can be readily ascertained.

NOTE.—Taxes assignable to nonoperating property or operations other than transportation, shall be charged to Account No. 314, "Expenses—Other Operations," and payments made in respect of federal income taxes shall be charged to Account No. 313, "Federal Income Taxes."

669. RENT OF FACILITIES:

This account shall include amounts paid as rent for use of terminals, when such property is used jointly by the accounting and other carriers.

670. RENT OF EQUIPMENT:

This account shall include payments to others as rent for use of cars, motive equipment of cars and other equipment on whatever basis such rent may be determined.

NOTE.—The amount paid for cars leased under an agreement whereby the owner pays the expenses, both of maintenance and operation shall *not* be charged to this account but to Account No. 614, "Leased Cars."

671. MISCELLANEOUS GENERAL EXPENSES:

This account shall include uncollectible bills and all other expenses incurred in connection with the transportation business not provided for elsewhere.

REFERENCES.

Lists of accounts provided for in this classification appear on the following pages:

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